

**Budget Speech input debate by Hon. Mzwandile Masina, Chairperson of Portfolio  
Committee on Trade, Industry and Competition.**

Date 16 July 2024

Venue: Cape Town

House Chairperson

Hon. Minister Park Tau

Deputy Minister Godlimpi

Deputy Minister Whitefield

Members of the Portfolio Committee

Members of the Media

Distinguish Guests

Ladies and gentlemen

Dumelang!!!

The ANC support the recommendations of the Portfolio Committee on Trade, Industry and Competition Vote 39 budget for financial 2024/25 as presented.

However, House Chairperson, it can no longer be “business as usual” at the Department of Trade, Industry, and Competition - all role-players should be cognisant of the need for a paradigm shift in relation to economic development, industrialisation and transformation in South Africa. We cannot continue doing the same things that have not worked but be expecting different results.

In the book *The Political Economy of South Africa from Minerals-Energy Complex to Industrialization*, Fine & Rustomjee argue that the minerals-energy complex (MEC) as a system of accumulation had a determining and retarding effect on South African industrialisation. The evidence on the share of the MEC sectors to GDP does not support the contention that the MEC as a system of accumulation has effectively increased the economy's dependence on these sectors.

Statistical evidence contradicts Fine & Rustomjee's view that South Africa's import-substituting industrialisation did not move from consumption goods to intermediate and then to capital goods, but in the opposite direction.

There is no historical evidence to support the contention that the MEC as a system of accumulation prevented the diversification of manufacturing industry and thus retarded industrialisation. The manufacturing industry did diversify both between the wars and in the postwar period. It is suggested that state-promoted developments in MEC manufacturing sectors represented important and necessary steps towards full-scale industrialisation.

South Africa is a significant player in the mineral energy complex, with huge sought-after deposits, which can play a role as we reimagine our industrial policy. We emphasized the clear desire of South Africa to move from sourcing raw critical minerals to higher-value activities in domestic processing and refining.

In other words, the traditional “Pit-to-Port” strategy has not yielded any desired results, therefore, remains unsustainable. The Industrial Policy of the country will be anchored on value addition and beneficiation - to significantly boost manufacturing capabilities.

With regard to infrastructure, problems notable in South Africa’s mineral, energy manufacturing and transportation sectors require proper coordination within the economic cluster departments, hence the call to rethink the “economic governance” in South Africa to address some of the evident lapses negatively impacting logistics mainly the movement of goods in the economy.

House Chairperson,

Niger faced numerous sanctions leading to its exit from the Economic Community of West African States (ECOWAS). However, Niger possesses significant deposits, and with the completion of a 2,000-kilometer pipeline between Niger and Benin, the oil industry is predicted to generate a quarter of the country’s GDP.

Senegal, despite recent—now resolved - political unrest, is the second-fastest-growing African economy, likely due to its rapidly growing hydrocarbon industry. The discovery of more than 40 trillion cubic feet of natural gas has seen a significant contribution to this rapid growth path.

In recent decades, the United States’ supply chains for critical minerals have become heavily dependent on unpredictable overseas markets. This is why the Biden Administration is working to build resilient, durable supply chains with partners and allies in vital sectors -

including semiconductors, medicine and biotechnology, critical minerals, and batteries - so that they are not vulnerable to price or supply disruptions.

Their approach encompasses minerals that are important to all aspects of national security, understanding that the communications, energy, and computing sectors are as essential as the traditional defence sector in the modern-day economy.

African Development Bank's Chief Economist and Vice President, Prof. Kevin Urama said: *"Growth in Africa's top-performing economies has benefitted from a range of factors, including declining commodity dependence through economic diversification, increasing strategic investment in key growth sectors, and rising both public and private consumption, as well as positive developments in key export markets"*.

He added: *"Africa's economic growth is projected to regain moderate strength as long as the global economy remains resilient, disinflation continues, investment in infrastructure projects remains buoyant, and progress is sustained on debt restructuring amongst others"*.

House Chairperson, the future of South Africa rests on regional economic integration. Our small economies are not competitive in the global market. A healthy internal African trade market can ensure value-added and intra-African production of manufactured goods.

The African Continental Free Trade Area (AfCFTA) will provide opportunities to increase trade with other African countries and to develop new sectors in the economy. Furthermore, the green economy offers several opportunities that South Africa intends to harness including downstream industries which may be localized.

Countries in Africa are encouraged to invest more in human capital and pursue a resource-based industrialisation and diversification strategy that allows the continent to exploit its comparative advantage and build resilience to shocks and South Africa is no exception.

Director of the Center for Sustainable Development, Columbia University Prof Jeffrey Sachs noted that long-term affordable financing must be part of Africa's strategy to achieve growth of 7% or more per year and warned that Africa is paying a very high-risk premium for debt financing.

The report identifies structural reforms and strategic industrial policies as key to accelerating economic diversification and strengthening the export sector.

Their range largely reflects differences in domestic policy - including decoupling economies from commodity dependence, renewing strategic investment in key growth sectors, and promoting private consumption as well as external factors such as a potential recovery in key export markets

South Africa continues to face multiple challenges, including the rising cost of living, weakening economic growth, a tightening of global financial conditions, shortage of concessional resources, increasing effects of climate change and recently the impacts of health pandemics.

However, structural reforms and strategic industrial and agricultural policies remain the key to accelerating economic diversification and strengthening the export sector. It is possible to reinforce structural transformation by investing in human capital.

On the fiscal front, what's needed is to mobilise domestic resources and accelerate the implementation of reforms. For example, it will be critical to digitalise and simplify tax administration systems and formalize the informal economy. Along with this, we recommend strengthening governance and institutionalising debt management capacity. Also highly desirable are reforms to the global financial architecture to make it more adapted to our environment.

South Africa needs to do a better job of managing and deriving greater revenue from enormous natural resources, through better governance, transparency, avoiding transfer pricing and ensuring that appropriate value is generated from royalties and taxes, including beneficiation.

A lot more effort needs to be put into domestic resource mobilization. The development of local capital markets will go a long way in mobilizing domestic capital to meet the rising expenditure needs of the country.

Rising debt service costs for many countries, worsened by the weakening of several local currencies require that a reasonable balance be achieved between external and domestic borrowing, especially with a greater focus on lending in local currencies to mitigate rising foreign exchange risks.

Therefore, addressing the multiple constraints to the economy, such as low business confidence, port and rail infrastructure challenges, insecure energy and water supply, high administered prices and port tariffs skewed in favour of the export of raw materials rather than value-added goods, would be critical to stimulate the economy and achieve sustained economic growth.

House Chairperson, I believe the work done by the Portfolio Committee on Trade, Industry and Competition has fulfilled all constitutional and legal obligations as set out.

With that said, ours is to fight the persisting unemployment, poverty and inequality in South Africa in a much more coordinated manner using our reimagined industrial policy for South Africa.