



National Economic
Development and
Labour Council

BRIEFING NOTE: NEDLAC 30 YEAR OF DEMOCRACY PROJECT

Nedlac social partners reflecting on 30 years of democracy and planning for the future

Theme: Economic development and employment
Sub-theme: Industrial and trade policy

Welcome to the discussion on industrial and trade policy, which will cover master plans, localisation, investment, trade, competition and SMME development and market access

This briefing note will assist you in your discussion by:

- Highlighting key issues¹
- Setting out questions for you to consider.

You are free to add additional issues and questions to your discussion.

A. Key issues

1. Variables and driving forces

The Indlulamithi project has identified the following variables and driving forces to consider when planning for future scenarios:

- We will struggle to absorb low-skilled labour in the industrial sector but will see improved absorption in the high-skilled and service sectors.
- Regional trade and investment will continue to improve, with regional immigration as a major area of contestation.
- There will be a shift from fossil fuels and growing pressure for all countries to conform to lower carbon emission standards.
- Are we ready for the opportunities and risks that shifts in the global economy offer, particularly regarding changing terms of trade and increased demand for different kinds of commodities?

The dtic in their Industrial Policy and Strategy Review, 2024 indicate the following headwinds and tailwinds going into the next administration:

- Geopolitical tensions, including the global economic slowdown, the Ukraine war, competition between the USA and China, and rising protectionism, are impacting South Africa's trade and investment outcomes.
- Climate change adaption requires navigating uncertainty around technologies and approaches, demanding substantial investment to transform critical infrastructure and secure supply chains.
- Rapid technological advancements are reshaping industries, placing pressure on traditional production lines while altering the skills and machinery required.
- The global agenda on mineral beneficiation is undergoing a profound transformation due to shifts in energy and digital technologies, leading to increased demand for certain minerals and declining demand for others (dtic).

¹ These issues have been sourced from the DPME 30 year review, Indlulamithi driving forces scenarios, the dtic review and work in Nedlac.



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2. Achievements and changes

Trade and investment

- Trade advances made by South Africa include the establishment of the African Continental Free Trade Area (AfCFTA) and enhancing market access to China, the European Union (EU) and the United States of America (USA) through the African Growth and Opportunity Act (AGOA) (the dtic).
- China is South Africa's main trading partner, while imports to South Africa during 2014 – 22 came mainly from the Asian region, followed by Europe and then the African continent (NDP:25)
- Exports of manufactured goods from South Africa to the rest of Africa increased 58% from R283 billion in 2018 to R447 billion in 2023 (the dtic)
- Foreign direct investment was R1.1 trillion for the five years from 2019 to 2023, three and a half times more than for the prior five-year period (the dtic)
- Less than 10% of funds managed by pension funds are re-invested in the real economy (NDP:18).

Master plans

- Master plans were introduced as part of the Re-imagined Industrial Strategy in 2019.
- Some achievements include that:
 - The automotive sector master plan has attracted nearly R70 billion in investment commitments and created more than 2,348 jobs.
 - The steel and metal fabrication master plan has attracted over R1.8 billion in investment commitments and created over 1,000 jobs.
 - The retail clothing, textile, footwear, and leather (R-CTFL) master plan attracted approximately R6 billion in investment and created 600 jobs.
 - As a result of the sugar master plan, the South African Sugar Association (SASA) committed R1 billion in investment over five years since 2020/21, creating 860 jobs in Illovo's small-scale cane development project in KZN.
 - The poultry sector reported R1.8 billion in total investment and has created 1,888 jobs. (Review: 57).

SMMEs and competition

- High levels of concentration among large firms and barriers to entry of new firms and SMMEs are part of the explanation for the economy's slow growth and lack of employment creation, transformation, innovation and competitiveness. The business environment is conducive to the establishment of cartels (NDP:18)
- The top 10% of businesses earn 86% of total income while the bottom 50% earn 1.6% of total income in South Africa across all sectors and concentrated markets are becoming more concentrated (NDP:18 – quoting a Competition Commission report)
- The Competition Commission's inquiry into data in 2019 has led to R20,5 billion estimated savings to consumers (dtic)

Localisation and transformation

- In 2014, 28 key products procured by the Government were prioritised for purchasing from local manufacturers. However, this was disallowed following a ConCourt judgement on regulations issued under the (Preferential Procurement Policy Framework Act (PFA). A new Procurement Act was passed this year with explicit localisation objectives to address this (the dtic).
- The DTIC and its agencies have supported 1,700 black industrialists who employ more than 160.000 workers (DTIC).
- 551 000 workers are now part owners of the companies they work for. R3.3. billion in dividends was paid in 2023 by all these companies (dtic).



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- The manufacturing sector has been the worst affected by load shedding, leading to 17% lower manufacturing employment, about 6.5 times larger than the average of all industries (The Conversation from DPRU research)

B. Questions to be addressed

- a) What are the achievements and lessons with respect to **industrial policy**?
- b) Going forward, how should social partners collaborate to benefit from and advance the following processes:
 - Revival of manufacturing and innovation; (Review:215);
 - Master planning processes;
 - SMME development including the role of government incentives and support (Review:216);
 - Multi-lateral and bilateral trade agreements; and
 - New growth sectors such as the green economy and e-commerce (Review:216).
- c) How should existing tripartite structures within Nedlac and with respect to existing master plans be strengthened?

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