

Only a DA government can herald a new dawn for the economy: Michael Cardo MP

DA Shadow Minister of Economic Development

Honourable Chairperson

President Ramaphosa has assured the South African nation that a “new dawn” is upon us.

We are embarking, he announced in his State of the Nation Address, on “a new path of growth, employment and transformation”.

But with growth forecast at just 1.5% this year, over 9 million South Africans unemployed, and declining business confidence levels, this new dawn looks set to be a false dawn.

It is, in fact, only the brief blinding flash of Ramaphoria. And soon it will be eclipsed by the persistent, malignant forces of darkness – namely, corruption, cronyism and capture – that are part and parcel of the ANC’s political culture.

The prince of darkness, Jacob Zuma, has been banished to Nkandla. There he tends the R1.5 million-worth of cattle gifted to him at taxpayers’ expense by the is-he-or-isn’t-he Premier of the North West.

But Zuma’s legacy – state plunder, mismanagement of public finances and economic decline – still casts a gloomy shadow over the country.

And it will continue to do so until the sun sets on an ANC government, and we see the dawning of total change under the DA.

Scrap EDD

Chairperson

It is the role of the Economic Development Department (EDD) to bring coherence to economic policy-making and implementation across state departments.

EDD must promote inclusive infrastructure-led growth, and it must tackle unemployment by accelerating job creation.

In other words, it must duplicate the functions of countless other departments in the economics cluster.

President Rampahosa has promised to review the number of national government departments in order to “ensure the most efficient allocation of public resources”.

He should commence this process of fiscal fat-busting by applying his liposuction vacuum to the Economic Development Department. Its billion Rand budget offers some easy pickings.

EDD was one of a number of new departments fathered during the Zuma administration, in a fit of fiscal incontinence and without much thought to family planning.

To be fair, Minister Patel has been a devoted and conscientious guardian. But even though EDD has yet to reach old age, it is time – new dawn or false dawn – for the department to “go gentle into that good night”.

Its economic planning and co-ordination functions should go to Treasury. Its support services to the Presidential Infrastructure Coordinating Commission (PICC) should be delegated to the Presidency. And its oversight of the Industrial Development Corporation (IDC), International Trade Administration Commission (ITAC) and competition authorities should be restored to the Department of Trade and Industry (DTI).

Investment, competition and trade

Chairperson

Of the Department's R1.073 billion budget, nearly 90% (or R952 million) is channelled to Programme 3: Investment, Competition and Trade.

That is an almost 20% increase from last year's allocation.

The bulk of it is for subsidies and grants to the IDC, ITAC, the Competition Commission and the Competition Tribunal.

President Rampahosa says we are going to “re-industrialise on a scale and at a pace that draws millions of job seekers into the economy”.

It will never happen without root-and-branch labour law reform.

He claims that, through the R23 billion IDC-sponsored black industrialists programme, we are going to develop “a new generation of black producers...able to build enterprises of significant scale and capability”.

But if the ANC’s black economic empowerment policy is anything to go by, the programme will produce a new elite of politically-connected billionaires at the expense of the poor.

That is why we need to ensure the IDC isn’t abused, as it was in the case of the R250 million loan to the Guptas, to enrich cronies in the guise of transforming the economy.

During his State of the Nation Address, President Ramaphosa said that the ANC was going to use “competition policy to open markets up to new black entrants”.

The Minister has reiterated that commitment with reference to the Competition Amendment Bill gazetted in December 2017.

While the DA supports the bill’s objective of greater economic inclusion, the Competition Act is not the right tool for tackling those structural features of the economy that exclude black South Africans from participation.

Making the economy more inclusive isn’t about using a regulator to create a new market structure. Economic inclusion is about radically transforming our labour laws to create jobs. It is about improving access to capital and credit for unbanked entrepreneurs, cutting red tape for small businesspeople, and growing the economy.

None of this can be achieved by the competition regulators.

The Competition Amendment Bill is too ambitious. It puts too great a burden on the competition authorities to solve South Africa’s economic problems. It gives them too much scope to encroach on the domain of other institutions.

In particular, the proposed market inquiry provisions – including recourse to “forced divestiture” as a remedy – will, in the words of one competition law expert, give the Competition Commission the power “to move parts of the economy around like pieces on a chess board”.

As it is, the Commission’s human and budgetary resources are stretched to breaking point. We should not strain them further.

DA proposals on jobs for youth

Chairperson

When President Ramaphosa finally unveils his reconfigured economics cluster, it must prioritise youth employment.

This will require far more than the innumerable working groups, summits and accords convened in terms of EDD's Growth Path and Social Dialogue programme.

A DA government would assist young disadvantaged South Africans in finding work by:

- Introducing a Jobseekers' Allowance for all unemployed young people aged between 18 and 34;
- Rolling out a national Job Centres project where unemployed people can access job opportunities; and
- Introducing a National Civilian Service year to provide work experience for matriculants to enter into work-based training in the fields of community healthcare, basic education or policing.

The DA will empower entrepreneurs with access to capital, infrastructure and skilled labour. And we will exempt small businesses from certain labour- and BEE laws to help them compete and create jobs.

That is the best way to promote economic inclusion.

This administration offers us the false promise of a new dawn. Let us work to ensure that the black, green and gold cock does not crow again in 2019!

Pragmatism, not Populism, will deliver economic growth in South Africa: Patrick Atkinson MP
DA Shadow Deputy Minister of Economic Development

Madam Speaker,

Twenty five years of democracy is enough time to determine whether economic performance of the past quarter of a century under an ANC government has delivered a better life for all South Africans or not.

Whilst GDP growth has risen from R496 billion in 1994 to R4,7 trillion in 2017, the past 10 wasted years of the Zuma administration has bought economic stagnation and growing unemployment. The 9,2 million unemployed South Africans have paid a high price for the populism and economic failures

of the Zuma years. This has resulted in a corresponding increase in service delivery protests by angry citizens who feel excluded and locked out of the economy.

The ANC's response to the damage wrought by the "Zuma years" has been to turn to more populist policies, such as the EFF proposed "Land Expropriation without compensation" through an amendment of Section 25 of the Constitution. This proposal not only misses the real impediments to land reform but will create uncertainty among investors whom the President is keen on attracting to our shores.

Quite how much could have been achieved in South Africa is put into perspective when once compares 25 years in West Germany between 1945 to 1970. West Germany transformed from a genocidal fascist dictatorship, bankrupted by war, to a successful liberal democracy with one of the largest economies in the world. The economy posted impressive GDP growth rates and low unemployment that were driven by market friendly free market policies, a policy approach that forms a central part of the DA's economic policy suite. While many would question the relevance of the West German experience to the South African economy, I mention it because it had a brother state, East Germany whose economic policies most closely resembled an EFF dream and was a fraternal partner to the ANC.

The East German state followed all the policies the EFF and some in the ANC advocate for, from state banking institutions, land expropriation without compensation, infringement on property rights, as well as meddling commissars who controlled all aspects of a citizens life. At the time of German reunification in 1990, the East German state was bankrupt and it took the unified German state more than 20 years to repair the damage. It is always good when proposing new economic policies that evidence based research is followed. Evidence of the East German example does not augur well for the EFF and some in the ANC.

To transform South Africa's economy, the Department of Economic Development, must focus on economic forecasting that takes into account the knowledge driven era we live in. The South Africa of 1994, with its associated limited internet access, no cellphones and no social media is markedly different from the South Africa of 2018. We can be sure that 2044 will look even more different with the advent of the 4th Industrial Revolution which will completely transform our economy and the skills required by those who wish to work in it.

The DA fully supports an increasing focus on the Fourth Industrial Revolution and is already implementing measures which will help usher us into this new era. The creation of Innovation hubs by DA Governments as well as the Western Cape's plan to roll out broadband internet at all schools is part of the greater plan to ensure that prepare young South Africans for jobs of the future. We

therefore support the Department of Economic Development on the priority placed on the Fourth Industrial Revolution. The Industrial Development Corporation (IDC) is also considering devising a strategy to assist businesses that will be operating in this new world.

The DA's plan to encourage the growth of 1 million new small business entrepreneurs is a realisation of the potential of these new technological advances and their ability to influence broad based job creation opportunities that will benefit the many. This is juxtaposed against the ANC's elitist "Emerging Industrialist" program run by the IDC who only serves to benefit and enrich a fortunate few at the expense of a more broad based development strategy for the many. The DA believes that new Industrialists will grow naturally from the ranks of its proposed 1 million new entrepreneurs as an outcome of their successes in building businesses.

If our economy is to be truly successful in reducing inequality for all our citizens, then we need to provide relevant and improved education and training to our citizens. I would like to conclude by looking at another similar emerging economy that has got this right. South Korea has a similar size population to South Africa but an unemployment rate of 3,6% compared to South Africa's 25,4%. In 1999 South Korea was 28th Out of 137 countries in the Global Competitiveness Index while South Africa was 26. By 2018 South Korea remained at 26 and South Africa had slipped to 61. Foreign direct investment inflows into South Korea amount for US\$12,1 billion in 2016 versus South Africa at US\$2,25 billion.

The reason for the significant change in South Korea's fortunes over the last 20 years is not only because of the investor friendly policies and investor certainty that the DA espouses, but one of the best educated work forces in the world. While there is no fee free higher education at South Korea's 43 state and 180 private universities the country ranks 25/137 countries for Higher Education in the WEF Competitiveness survey versus South Africa at 85.

The DA believes that the best antidote to inequality and unemployment in South Africa is the provision to our people of an improved education relevant to the coming technological changes, and access to Higher Learning for those who qualify. This should not only provide greater access to employment but encourage entrepreneurs to come out and build job creating small businesses. South Korea has no problem in attracting new investment because it has skilled workforce attractive to investors. Lack of skills is one of South Africa's greatest drawbacks in attracting new industries. A focus on this problem will not only attract investment but will reduce inequality and provide a better life for our people.