

***Address by KwaZulu-Natal MEC for Economic Development, Tourism & Environmental Affairs, Mr Michael Mabuyakhulu during the Provincial Exporter of the Year Awards in Durban on 08<sup>th</sup> July 2014***

Programme Director,  
His Worship, The Mayor of eThekweni, Councillor James Nxumalo  
Chief Executive Officer of Durban Chamber, Mr Andrew Layman,  
Chief Executive Officer of Trade & Investment KZN, Mr Zamo Gwala,  
Chief Executive of Transnet Port Terminals, Mr Karl Socikwa,  
Members of the business fraternity,  
Esteemed guests,  
All protocols observed.

Thanks for inviting us to this important gathering, and on behalf of the KwaZulu-Natal Provincial Government, we would like to register our appreciation for the contribution made by the Durban Chamber of Commerce & Industry and its strategic partners such as Transnet Ports Authority in the socio-economic transformation of our province. The chamber has been instrumental in envisioning and activating key developmental projects in the City of Durban which has had a butterfly effect across the province and the region. Some of the iconic initiatives such as the multibillion rand Dube Trade Port incorporating the King Shaka International Airport, Moses Mabhida Stadium, uShaka Marine World, the upgrades to the city's Golden Mile and new industrial parks like the Riverhorse Valley were collectively conceptualised by the eThekweni Metro Council and the provincial government working in tandem with other social partners like the chamber which is indicative of the application of public-private-partnership phenomenon in the province.

We therefore have a solid partnership with the Chamber and our collective vision for the future of this province, the country and, of course, the region is further reflected in our joint participation in the Growth Coalition which has been active in the formulation of the province's socio-economic blue-print, the Provincial Growth & Development Plan which in turn is partly a mirror image of the National Development Plan. The latter, together with the Industrial Policy Action Plan, advocates for exports to be elevated with an intention to unleash the country's manufacturing in its diverse sectors which is crucial in offsetting our balance of payment.

As we all know, export is one of the fundamental elements of any economic development as it illustrates the level of any economy's performance in relation to global trade. In this province and country we believe that to be able to claim an influential position in the regional and global economy we have to up our game with respect to the level and quality of products or services for diverse markets. Being the country's second largest provincial economy at 15.7% of the nation's gross domestic product, KwaZulu-Natal had been the country's leading manufacturing hub for both domestic and foreign markets until we were hard hit by the rigours of the recessionary global market from 2008. In the first quarter of this year, the province's manufacturing continued to struggle with an estimated 1% decrease.

But with a larger share of the province's total economic profile derived from manufacturing at 18.3% while nationally it rates around 15%. The provincial manufacturing is closely complemented by a combination of finance, real estate and retail services at 17% and we therefore need to collectively give this part of our economy a special attention as it has an undisputable impact on our export statistics. In terms of the creation of employment, the role manufacturing couldn't be adequately emphasized as more than 15% of the province's work force is aligned to manufacturing. Meanwhile, we are not under estimating the current impact of the raw commodities, especially from the mining sector to the overall provincial performance. But as we want to transform our economy into value-added productions, we have to dedicate developmental resources on manufacturing as the latter offers more benefits in terms of profits and widening of business opportunities in the production and marketing value chain.

Our geographic advantage, being our location on the eastern sea-board, with highly developed ports of Durban and Richards Bay; good rail and road networks and now the advent of the multi-modal logistics platform, the Dube Trade Port, we have every reason to be confident about the future of our export market. These comparative advantages, coupled with favourable climatic conditions offer us an opportunity to maximise our presence in the global market through our diverse sectors that include petro-chemicals, steel products, machinery, automobiles, footwear, electronics, furniture, plastics, textiles & clothing, agro-processing and many more items that have to undergo value adding processing to earn considerable returns.

But despite this acknowledgement, it is imperative that we pool our efforts and resources to resuscitate the province's manufacturing which is not only essential in earning us foreign revenue, but is an effective source of diverse business and employment opportunities in the value-chain.

Improved volumes of manufactured goods and their level of quality to attract the attention of consumers would then have a bearing on the size of economic activity generated through exports compared to what we purchase from outside. We are delighted that many of role players in the province's economy, especially in the export value chain are beginning to converge around a common objective of increasing the province's exports which is expected to transform KwaZulu-Natal into an export groomed industrial hub and the Provincial Export Strategy is a visible declaration of commitment that we should use as a practical yardstick to improve our export capabilities as the Investment Protocols helps is setting the tone for those interested in doing business in this province.

However, we are mindful that the world has become so liberated that competition for space in the global market is very intense and that in order for us to be able to stand the test of time our manufacturers of exportables have to subscribe to top notch productivity standards.

This therefore requires investment in skills development to ensure technical and functional prowess of our products to secure space in the global shelves. I am certain that the establishment of the Provincial Exporters Awards were designed to bolster our sense of commitment to quality products and services that are competitive enough to increase our export market. It is critical that the passion and desire by our entrepreneurs to seize export opportunities is reciprocated by the creation of an environment favourable for them to trade on the equitable playing field. This includes the promotion of trade bilateral and multilateral relations to other nations and regional trade blocks to secure market access. Of course South Africa might have lost its status as the continent's economic powerhouse having succumbed to Nigeria's elevation to the pole position with an estimated \$522.64 billion economy compared to ours \$350.63 billion, but we are still a major force that boasts world class infrastructure that gives us a competitive edge amongst developing economies.

This is the strength we have to harness with other strategic trade advantages to become an export oriented economy – that earns substantial financial returns in the global market.

As the crude meaning of exports suggests, this is the function of international trade whereby goods produced in one country are shipped to another country for future sale or trade. The sale of such goods adds to the producing nation's gross output. If used for trade, exports are exchanged for other products or services. Exports are one of the oldest forms of economic transfer, and occur on a large scale between nations that have fewer restrictions on trade, such as tariffs or subsidies. Since 1994 South Africa has established good diplomatic and trade relations with the rest of the world and as

province with an ambition to broaden our participation in the export market, we have to take a proactive stance with respect to the activation of such trade linkages. Where there are protectionist tendencies that are shielding local products, we have to work closely with our diplomats to gain market access with lifted or complete elimination of some of nagging trade barriers such as exorbitant tariffs that could be imposed on our export products as our manufacturers and service traders have to be assured of reasonable profit returns against stiff taxations.

The positive rapport that we have established with the members of the diplomatic corps in this province should be exploited through the establishment of continuous exchanges to foster a 'win-win' situation rather than allowing a skewed trade where the province is more receptive of imports yet finding it hard to ferry its own finished products to the rest of the world in equitable fashion. We can't continue being a consumer oriented economy as excessive imports have a potential of stunting our economic prospect whilst benefiting other parts of the world that are inclined towards selling to our own constituency. The higher the value of imports entering a country, compared to the value of exports, the more negative that country's balance of trade becomes as we all know – hence we have to reverse us an adverse situation which could cripple our ambition of generating more sustainable home based business and employment opportunities. This would be in line with one of the province's value statements; 'Made locally and delivered globally' as we have to scale up the number sectors that produce for export market and ensure that constant supply of demand oriented quantities is maintained to remain competitive while winning the confidence of our global customers while also complying with acceptable international trade protocols.

Market intelligence is one of the effective instruments essential to remain relevant and competitive in the highly contested global market. It's therefore imperative that as we appreciate various opportunities offered by the export market, we are conversely mindful of the pitfalls and booby-traps in the world of business. This includes knowing one's competitors and potential strategic partners that could assist in maximising our foot-print in the export business. The creation of market intelligence data base that informs our traders about local, regional and global opportunities based on market demand for diverse commodities, products and services and as well as pricing that often influences anticipated profit margins should be at the core of our strategic thinking. We know that market performance behaviour could fluctuate hence requiring intelligent response in terms of the packaging and market positioning of our offerings to remain afloat in the highly competitive world market. This implies that our trade agencies and business organisation would have to improve their working relations with a view of melting their resources together to develop a common hive of

information essential in guiding their business operations with respect to what the market out there wants. In this we would require amongst other things improved collaboration not only with funding agencies such as IDC, National Empowerment Fund, Development Bank of Southern Africa, Ithala Development Finance Corporation, but also regulatory and compliance bodies like Statistics SA for the provision of reliable market intelligence and of course South African Revenue Services for amongst other things customs clearance and general adherence to global trade conditions relating to taxes and tariffs.

A one stop shop kind of facility to provide reliable information and advice to our exporters would have a significant contribution to smoothing the playing fields in the export business – therefore ensuring that our products reach designated market destinations in time to beat competition from other parts of the trading world. At the same time, numerous incentives offered to export cued traders could easily be accessed through dedicated pot flooded with empowering and insightful information on market trends and opportunities. Typical to a performance tracking tool to trace all critical market information that would assist traders make informed business decision on amongst other things, target markets, product design and packaging, pricing, competitors, potential partners, associated taxations and tariffs and as well as demand levels to inform the quantities to come out of the factory floor.

We are mindful that as part of sharpening our export capacities, Trade & Investment KwaZulu-Natal continues to provide exposure of our traders to international market through the facilitation of exports biased trade missions to regions that have fertile market for KwaZulu-Natal products. Such efforts are not only enabling our entrepreneurs to access export market, but also creates avenues for them to network with their foreign counterparts with a prospect of forging business partnerships and joint ventures essential for them to gain experience to trade at international level. Government could provide all support, but it is incumbent upon our entrepreneurs to seize opportunities floating in the market place. Our commitment to unleash our potential as the regional and global participant in the world economy is further demonstrated in the content of the 2030 vision enacted in the NDP where a combination of interventions to improve our economic performance are highlighted.

A healthy economy feeds on excellent trade logistics therefore the state has pledged massive investments over the three years period that resumed during 2013/14 financial year where an estimated R827 billion was earmarked for the building of new and the upgrading of existing infrastructure facilities. This bold step would certain work in favour of our traders whilst ensuring

improved quality of life to our citizens as they would be able to access life-enhancement sources such as healthcare facilities, schools, water, sanitation, housing and electrification. The construction or upgrading of ports, roads, railway systems, electricity plants would have invaluable impact on economic growth and general competitiveness of our products and services in the world market. Perhaps it is worth noting that government acknowledge the role of energy in powering our economy, especially in the manufacturing sector and mobilisation of various energy sources is at the heart of government vision. Following sporadic down-turns at Eskom, especially during the recessionary period in 2008, government had committed more than R205.1 billion that would amongst other things ensure new power stations to increase our energy supply crucial for industrial advancement.

It is pleasing to notice that Transnet is one of the strategic partners in this initiative as its handsome investment in the improved logistics would be at the centre of the country's future growth having committed more than R300 billion towards catalytic projects for adequate capacity in rail, ports and pipeline infrastructure as either export or import business couldn't flourish without. We are also aware that the role of information and communication technology dictates the developmental pace of our modern nations. Limitations in the broad-band to ensure amongst other things faster transfer of information and other data products are being addressed and we are working closely with our national counterparts as this forms part of the key government's driven infrastructure development commitments.

We therefore have no illusions that our export capabilities would improve as essential logistics are being put in place to maximise our comparative competitiveness. While appreciating that Europe and America had been our traditional trade partners for many years, the country's re-acceptance as a member of the trading world had ensured that we secured other market liaisons which include not only the Asian countries and recently established multilateral relations with BRICS nations, but Africa is proving to be on the incremental economic trajectory – with economic experts claiming that the rate of return on foreign investment in Africa is higher than in any other developing region. In the past ten years it has been established that six of the world's ten fastest-growing economies were on the African continent. This has been translated into the continent's fastest-growing middle class in the world which implies the demand for considerable quantities of consumer goods to meet the needs of this growing class of high spenders. Manufacturers of diverse products and suppliers of different services should explore these opportunities presented by the changing socio-economic landscape on our continent. Exporting should no longer be conceived with a Eurocentric or American hype, but our own region provides an alternative market.

For those that have been identified for the annual accolades to recognize their contribution to the export industry, should remember that they have put themselves on the spot where we would use them as the reference point to motivate other entrepreneurs to seize business opportunities spread across the world and our own continent. This therefore calls for improved service to be able to survive in the highlight competitive business terrain. As government, as mentioned above, our role of creating a suitable space for quality productivity to ensure that our business people ascend to the echelons of the global trade is guaranteed. All that is required is for KwaZulu-Natal entrepreneurs to acknowledge the advantages they have in the form of being in the close proximity to facilities that are essential to get one's products to the designated markets as we are blessed with advanced ports in Durban and Richards Bay that are integrated to equally well developed road and rail networks while King Shaka International Airport provides an alternative transportation for time critical commodities destined for the export market.

I thank you,

**Mr Michael Mabuyakhulu, MPP**

**MEC for Economic Development, Tourism & Environmental Affairs**