

**Appendix 9 of Annexure W of the UDM Constitution
UDM Trade and Industry Policy Proposals**

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1. Introduction

The UDM aims to unleash the creative spirit inherent in all South Africans by building a world-class economy for sustainable employment for all South Africans through Small Business Development.

The UDM proposes that government must be focussed on job creation and stimulating small business growth, but equally aware, and willing, to responsibly intervene with the economy to open up business and employment opportunities for marginalised people.

The core of this policy is Small Business Development. The UDM's vision is to vigorously pursue policies that encourage and open up opportunities for individuals, single households, or groups of people to start and sustain their own small businesses. Through these activities they will empower and enrich themselves materially and spiritually, provide employment to others in their communities and enhance the general well being of society. The role of government is to promote and encourage policies that will kick-start business opportunity and enable small businesses to grow and prosper.

This will be achieved with the strong use of supply-side support while carefully opening up to international trade.

The success of the department of Trade and Industry will be determined by the calibre of its officials, and therefore a strong emphasis will be placed on recruiting officials with established business and industrial expertise and competence.

2. Aims and objectives

Firstly, the policy on Trade and Industry aims to fulfil its aim of job creation with a vigorous programme to encourage Small Business Development.

Secondly, the aim is to create opportunities for all South Africans, especially the economically marginalised and disadvantaged, through Equal Economic Empowerment.

Thirdly, this policy aims to create a Global Economic Strategy that is beneficial to all South Africans and serves as a stimulant for the growth of the South African economy and the creation of jobs.

Fourthly, this policy aims to create a coherent Foreign Direct Investment Strategy for South Africa.





Lastly, this policy aims to address the issue of managing the gambling, liquor and lottery industries, in such a way that the negative socio-economic impact of these industries are controlled and reduced.

3. Specific strategies

3.1. Small business development (SMMEs)

The current government is not giving proper attention to Small Business Development as an engine for job creation. The lack of services, or poor quality of service, combined with no access to capital, and a huge regulatory and licensing burden, prevent the growth of small business.

The UDM recognises the key role of international and domestic tourism in job creation. It is estimated that tourism currently contributes approximately only 5% of our GDP, whilst it is possible to double it over the medium term. It is estimated that such growth could create as many as 750 000 jobs. The UDM will therefore actively pursue policies and actions to promote tourism. Greater government resources will be dedicated to develop and market tourism in South Africa and to stimulate the local and international market. The concept of Transfrontier Conservation Areas (TFCAs) or "peace parks", spanning the borders of countries in the Southern African region should be endorsed by SADC as a regional priority where governments will become the drivers of this concept. The South African government should play a leading role in this process and thereby contribute to increasing tourism to South Africa and the region. Tourist infrastructure will have to be modernised.

3.1.1. UDM Proposals

The UDM proposes that co-operation between institutions and DTI must be strengthened through meaningful public-private partnerships.

In addition the coordination between national, provincial and local departments dealing with Small Business support and financing must be improved through clear, unambiguous management.

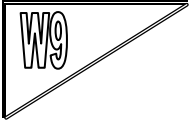
The Department will establish a visibility in rural and disadvantaged areas by opening Small Business advice and support centres in all municipalities throughout South Africa, based on the following principles:

- 3.1.1.1. Firstly, Small Business advice and support centres will be a "One Stop Shop" for all the needs of local small businesses.
- 3.1.1.2. Secondly, Small Business advice and support centres will focus on six key areas:
 - Business Planning.
 - Research and development.
 - Production and operations.
 - Marketing.
 - Human Resource development.
 - Finance for growth.
- 3.1.1.3. Thirdly, each small business seeking assistance from Small Business advice centres will be assigned to a development adviser.

The Department will possess a strong capacity to monitor and evaluate support systems and to measure the success of Small Business Development.

The Department will investigate and implement measures to reduce the risk profile of emerging small businesses by unlocking "dead capital".

The Department will actively promote small business to domestic and foreign consumers.



Small businesses will be given preferential access to government tenders, as a further means to assist them to secure contracts and financing.

The current financing agencies, Khula and Ntsika, will be dissolved. These agencies will be replaced by a new small business financing agency, operating according to corporate principles with a commitment from government and the private sector.

The Department will immediately appoint a task team to review all regulatory and licensing obstacles for Small Business Development. These obstacles will be removed, and legislation amended, quickly and responsibly.

The international manufacturing environment is characterised by declining importance in cheap raw materials, cheap unskilled labour, market access and proprietary knowledge, but with increasing importance in gaining and exploiting knowledge. International trade trends indicate declining terms of trade for primary commodities and commodity manufacturers but rising terms of trade for knowledge-intensive manufacturers and services. Therefore, the Department will seek to encourage Small Business Development in urban and rural areas in labour intensive (manufacturing and production), as well as knowledge-based and service orientated, industries and sectors. In rural areas, where the immediate need for job creation is especially urgent, Small Business Development will focus on agriculture, tourism (and eco-tourism), "mariculture", animal husbandry, forestry and renewable energy.

The Department will establish a partnership with the South African Postal Service and Telkom to bridge the electronic gap prevalent in rural areas and informal settlements, to enable the creative use of modern technology for Small Business Development.

3.2. Equal economic empowerment

Present Black Economic Empowerment only empowers a selected few, whilst the UDM seeks to empower all South Africans, in particular economically marginalised groups.

The UDM will advocate the recognition of economic empowerment as a core principle of all economic processes, and not just a separate project among many. The UDM will support balanced and reasonable legislation in this regard.

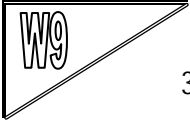
The UDM recognises the aspirations and needs of the previously disadvantaged people of South Africa to participate meaningfully in the economy. The UDM believes that specific groups that should be targeted for economic empowerment strategy should include the youth, women, rural poor as well as informal settlement dwellers.

Economic empowerment as envisaged in UDM policy will target economically marginalised groups, without being racially divisive or exclusivist. Therefore it is vital that all South Africans share an economic and political vision focussed on partnership between all the people of South Africa. We believe that the gap between the "haves" and the "have-nots" can be narrowed by unleashing the creative spirit inherent in our diversity.

The reality in South Africa is that the majority of the population remains marginalised from the mainstream of the economy with an ever-increasing gap between the "haves" and the "have-nots".

Economic Empowerment cannot be viewed in isolation but should be viewed in the broader context of the empowerment process by focussing on:

3.2.1. Job creation.



- 3.2.2. Urban and Rural Planned Sustainable Development programmes (especially in the former homelands and informal settlements).
- 3.2.3. Poverty alleviation.
- 3.2.4. Specific measures to empower women and the youth.
- 3.2.5. Skills and knowledge transfer.
- 3.2.6. Management development through the transformation of further and higher education.
- 3.2.7. Real ownership.
- 3.2.8. Access to finance.

3.3. Global economic strategy

The present government's over-hasty and unbalanced approach to globalising the economy and its irresponsible abolition of import protection and export subsidies for key industries have resulted in hundreds of thousands of job losses, especially among low-income industrial workers, thereby contributing to poverty.

All international treaties and trade deals entered into by SA must serve the interests of South African taxpayers first. In this regard it is especially important that South Africa makes the most of its resources. The prescripts of the World Trade Organisation against state intervention is being contravened by several major developed countries, which is not to say that unbridled intervention must be allowed, but simply that it would be irresponsible for government to stand by whilst certain industries and sectors are decimated by inter-national trade. In such cases, it is vital that government give those industries some form of adjustment assistance, for a limited period, to ensure that industries adapt to the new market conditions.

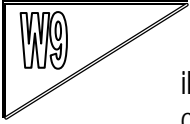
The UDM will introduce a balanced globalisation policy to halt and reverse the job losses that have occurred as a result of policies that have distorted the South African market. In this regard, new supportive measures will be considered for pressurised industries such as clothing and footwear. Anti-dumping mechanisms and effective border control will be stringently applied.

To be internationally competitive, we must have advanced technology, industry and research institutions. The UDM will not only make sure that we retain our developed technology and highly trained citizens, but that we take the lead as a nation to make new and internationally accepted technological breakthroughs.

The UDM believes that the creation of an Export Processing Zone (EPZ) or an Industrial Development Zone (IDZ) on a trial basis in one of our coastal provinces or in an identified industrial area should be seriously investigated. It will then be properly investigated and evaluated, to determine the long-term costs and benefits. The objectives of an EPZ or IDZ are to earn foreign exchange and to create jobs. The introduction of an EPZ or IDZ will be done in consultation with the relevant provincial and local governments.

The UDM recognises that close to 20% of South Africa's exports of goods and services go to African countries and will actively promote co-operation, joint development projects and free trade within Sub-Saharan Africa. The UDM will definitely not approach Africa on the current government's crisis-by-crisis basis.

The role of SA in the World Trade Organisation must be clearly defined. International trade rules must recognise that the developing world cannot compete under the current dispensation against the developed world, condemning most developing countries to perpetual poverty and debt. The fact that major developed countries continue to subsidise industries and are guilty of dumping their products



illustrates the unfairness of the current system. South Africa must take the lead for all developing countries and negotiate with the developed world. Such negotiations must centre around the need for balanced and responsible state intervention with the economy to address the results of colonialism and exploitation.

Trade agreements with Mercosur (India, Pakistan, Malaysia, etc.) and South American countries (Brazil, Argentina, Chile) must be prioritised to give South Africa access to vast untapped export markets.

3.4. Foreign direct investment strategy

The UDM recognises that economic infrastructure is a critical component in the efficient functioning of an economy and a factor government can significantly influence through policy and through its role in the direct provision of infrastructure. The value of economic infrastructure is that it creates an environment for investment by lowering transaction costs.

South Africa's stock of economic infrastructure is a key component of the level of national competitiveness. Preserving and extending that capability has to skilfully combine economic infrastructure development with direct investment in people and social infrastructure. Low levels of public sector investment in economic infrastructure retards efforts to increase employment creating fixed investment.

A Planned Sustainable Development strategy, driven by government through Public Works, is proposed to support the provision of economic infrastructure. The UDM proposes that subsidised infrastructure, establishment grants and subsidised services should be investigated as measures that encourage infrastructure development.

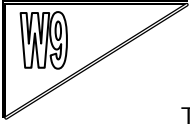
Steps should be taken to compensate investors for factors in the business environment that raise operating costs in South Africa above those of alternative destinations. In the absence of fiscal incentives, alternative inducements must be offered to investors to encourage them to proceed. A subsidy to cover part of the capital outlay is one method to be considered, as well as payment for certain infrastructure services in support of the main investment. Lastly it may be considered to reduce the cost of doing business in South Africa by providing subsidies to industries using water, electricity, transport, etc.

The Department of Home Affairs should reprioritise its budget in order to exercise effective border control of people and goods entering and leaving the country. Work permits for foreigners must be processed speedily. A permanent dedicated interdepartmental team from Trade & Industry, Foreign Affairs and Home Affairs should prioritise applications and process it accordingly.

Political stability in the SADC region is crucial for South Africa's economic progress. Foreign investors view the region as one trading block and not as separate entities. Trade between South Africa and other countries in the region must be enhanced through trade agreements and sustained infrastructure development.

3.4.1. Enhance Investment SA

- Sectoral focus (such as, agriculture, tourism and construction and building industry).
- Concentrate on our strengths e.g. Strategic location, telecommunications, technology, expanding infrastructure etc.
- Make use of South Africans who emigrated from the country to form networks within the business and professional fields to market South Africa.
- Identify the global sectors and sub-sectors that are growing and find the best companies in those sectors. Work flat-out to persuade them to come to South Africa.



The concept of Planned Sustainable Development programmes – integrated and large-scale infrastructure development to create productive and safe environments – will be driven by government through Public Works, and will be specifically marketed to domestic foreign investors as providing attractive destinations for their money.

Recognising that foreign industry must be encouraged to locate in South Africa using specific, focused incentives the proper application of the following measures are supported:

- Tax relief – zero rate on profits derived from increased manufacturing exports.
- Substantial industrial grants to locate in South Africa.

The Industrial Development Corporation must have extensive power and expertise in order to operate in synergy with Investment SA.

3.5. Gambling, liquor and lotteries

The UDM proposes that current studies into the effects of gambling and liquor be expanded to properly determine the social costs involved. The regulation of these industries must be based on the outcomes of such studies.

It must be noted that strict regulation is required not only to control the social implications, but also the direct link between illegal gambling and liquor distribution and organised crime and gangsterism.

A substantial amount of the income that government derives from these industries must be aimed directly at charities and social upliftment and empowerment programmes.