

## **Budget Debate on Vote 36: Small Business Development**

**Jan de Villiers, MP**

### ***DA Shadow Minister of Small Business Development***

Small business owners are big dreamers. Although entrepreneurs typically start with small enterprises, bootstrapping their start-ups to be as lean as possible, they always have big hairy dreams of one day making it to the very top.

Every so often we hear of these unicorns, these small startups that end up being massive success stories, that employ thousands of people and give many more the inspiration to start their own business.

Last week I received a call from such a small business owner, right here in Cape Town. You see chairperson, this resilient entrepreneur walked away from a cushy corporate job to follow his dream of starting his own whiskey distillery. Five years later and he now has 2 whisky brands on the shelves of South Africa, employs 10 people and is on the brink of signing the deal of a lifetime to have his whiskey distributed and endorsed by a Hollywood celebrity in the United States of America. This is the type of event that all entrepreneurs dream of, the opportunity to make it big in one of the most important foreign markets in the world, the United States of America. But this massive export and production deal, that will bring millions of US dollars into South Africa and create many more local jobs is now at risk due to the threat of the USA retracting South Africa from the advantages of the African Growth and Opportunity Act, or AGOA as it is generally referred to.

Chair, AGOA enhances market access for South African business to the US markets, by essentially giving South African business' the opportunity to land their products duty free in the US. In short US companies that want to buy our South African products, save money when doing so, because there is no import or duty being charged for these SA products in the US. This makes our SA products more price competitive, an advantage currently enjoyed by thousands of local businesses who successfully export to the US. If SA loses these AGOA privileges, this small whiskey business will lose years of work and millions of invested capital that was spent to build relationships and access the market in the US, it would be a business killer event.

Chair, it is however not just this small business that stands to lose out.

The South African textile industry, with many small and medium-sized enterprises (SMEs), exports a significant percentage of its products to the U.S. under AGOA. For instance, if a small business that exports \$100,000 worth of goods per year to the U.S. now suddenly needs to

start paying the normal tariffs, they face a 16% tariff, which translates to an additional \$16,000 of costs that needs to be absorbed by the business, meaning it needs to come from its profit margin. SME's generally work on slim margins to grow, and there are few that would be able to just pass this increased cost on to the US buyer without losing that business.

In 2022, South Africa exported \$66 million worth of wine to the U.S. Many vineyards are small businesses, who now risk a 6.3% tariff without AGOA, making their wine more expensive compared to wines from other nations, who has trade agreements with the U.S. This could lead to a significant loss of market share for these small business wineries.

The U.S. is also the largest export market for South Africa's macadamia nuts, many grown by local small-scale farmers. In 2022, 40% of the total macadamia production was exported to the U.S. Losing AGOA could mean losing a significant portion of this market, causing a dramatic drop in sales and income for these farmers and their workers.

Small business are also significant contributors to the South African automotive parts industry. The U.S. imported R24 billion worth of vehicles and parts from South Africa in 2022. If tariffs increase and manufacturers source from elsewhere, small business supplying these parts could lose out on substantial business.

Chair, as emphasized by our President, small businesses are a significant source of employment in South Africa. With AGOA supporting at least 60,000 direct jobs in South Africa, the loss of AGOA could lead to substantial job losses, affecting the livelihoods of many and reducing domestic consumer spending, which would further impact SMEs in the domestic retail sector.

Chair, if the government cares about small business and the creation and protection of jobs, it will not do anything to jeopardise AGOA, because jeopardising AGOA, is jeopardising R400 billions of trade between SA and the US. Jeopardising AGOA, is jeopardising jobs. Jeopardising AGOA, is a direct sign that the ANC government does not care about small business, they do not care about jobs, they do not care about families and their livelihoods and therefore, that they do not care about South Africa. Yet despite all of this, our ANC government seems to be doing everything in its might to break down AGOA, from placing trade tariffs on US products landing in South Africa, to trying to get away with secretly docking a Russian sanctioned weapons of war cargo ship, it seems the ANC government is once again determined to place small business, trade, jobs and the welfare of families below their own political and party agenda, because as much as they care about the ANC, they care very little about South Africans.

So in in 2024, voters can decide for themselves. They can vote for an ANC party that chooses misplaced Russian loyalties above caring for small business, jobs and families. Or they can vote

for a party that cares about small business, cares about jobs and cares about families, because a vote for the DA is a vote for a government that cares.