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GEEKONOMICS

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OVER the last month we have witnessed a war of words between the trade and industry department, clothing and textile manufacturers and retailers over quotas on Chinese imports. The battle of the bra has begun.

We (and many others) have already voiced our views on the real problems in the clothing sector and do not care to say more.

Geeks are not known for their bravado and we do not wish to be accused of treason for siding with the victims: consumers and those retailers and manufacturers who do not depend on government protection and hand-outs to survive. But we do plan to stock up on cotton underwear, wherever it might be manufactured and sold.

We do, however, have a lot to say on a much bigger issue which underlies this debate: the low level of transparency, accountability and economics which has become part of trade and industrial policymaking in SA.

Let’s begin with transparency. We are told that the department has undertaken comprehensive reviews of the clothing and textile sector and the Motor Industry Development Programme (MIDP); has developed a policy framework to deal with import parity pricing (IPP); and has crafted a spanking new industrial policy.

These are all important and necessary initiatives, for which the department should be congratulated.

There is one serious shortcoming — the public cannot get sight of any of them.

The clothing and textile sector strategy was finished with fanfare in mid-2005. Snippets have been presented and we were told that it would be made public in early August 2005. New regulations are being enacted but the strategy remains secret.

The MIDP Review Report has also been completed. The industry has certainly seen it (some would suggest they wrote it), but the public that pays for this scheme has been given no opportunity to comment.

Our new industrial policy has been thrown back and forth between government officials and Cabinet, but is apparently too hot for public consumption. And the IPP framework, which the department promised to release by December 2005, has been lost, forgotten or perhaps never written.

This leads us directly into our next theme, accountability. Trade and industrial policies have an impact on a wide range of stakeholders, all of whom should be consulted.

This requires some effort, by government, to understand the problems and constraints experienced by manufacturers and retailers, the employed and unemployed, the winners and the losers.

The losers shout loudest and are easily identified. But the department should spend more time talking to the winners, because they deserve support and encouragement, and less time with the whiners. In doing so, a very different set of policy priorities might emerge.

Competitive clothing manufacturers do not want quotas; they do want tariffs on textiles abolished and assistance with trademark protection.

Competitive motor component producers get little benefit from the MIDP; almost all of the gains go to foreign-owned vehicle assemblers.

Competitive call centres do not want short-term hand-outs; they want government to sort out Telkom.

These insights come directly from the real-world case studies presented every month in the Exporter. Government officials should read and learn.

The difference between a good policy maker and a good journalist is very thin. Both are obsessed with the truth.

Finally, let’s turn to some observations about economics, or the absence thereof, in current trade and industrial policy debates.

Economic analysis is much more than trying to determine the level of protection or subsidy needed to keep inherently uncompetitive industries alive.

It is a means of identifying the impacts of such measures on other sectors as well — on consumers, on the demand for labour, on downstream users of protected goods and on other government programmes.

It is not good enough to count and claim the gains of support to any particular industry. Throw good money at any bad company and it will create more jobs, more exports or more profit.

But at what cost, in terms of jobs, exports and profits in other companies, and in terms of the longer run development of a productive and competitive economy?

We don’t blame clothing and textile firms or motor manufacturers for seeking tariffs, quotas or incentives.

Of course protected firms, as well as the consultants that feed off them, will advise government to give more protection and more subsidies, and the more complex and non-transparent the better.

But it is incumbent on analysts somewhere in government to provide accurate explanations and estimates of the costs and economic value of industry-specific interventions (such as subsidies to call centres) and compare these to the costs and benefits of economy-wide policy reforms (such as lower telecoms costs).

It is time for government to start doing this analysis, to get it into the open for public discussion and understanding, and to begin to design policies that make economic sense and that can be accounted for in the court of long-term economic development.

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