



Posted to the web on: 18 May 2006

Geekonomics

Frank Flatters and Matthew Stern

THE trade and industry minister and his two deputies supported the department's budget request to Parliament with an outline of their industrial development strategies. While many of the elements are familiar, and the presentations are far from comprehensive, they are probably the best guide we have of the department's plans for the coming year.

And this is our best attempt to interpret the department's vision for you in just over 800 words.

What do we like (with some qualifications, of course)?

Trade negotiations: We like the serious and constructive approach being taken to World Trade Organisation negotiations and discussions. We like the responsibility being shown in airing serious anomalies in the stance of developed countries in agriculture and some key industrial products, especially with regard to tariff peaks and escalation. We like the scepticism shown to the divide and conquer approach being used in North-South bilateral trade negotiations.

We worry, however, that stalled multilateral and bilateral negotiations will be used as an excuse to delay trade policy initiatives that can be undertaken unilaterally. While complaints are made about tariff peaks and escalation in other countries, there is no mention of a short, medium or even long-term strategy for dealing with such anomalies at home.

Self-discovery: Drawing on some insightful jargon from American academics, the trade and industry department describes its new approach to industrial policy as a process of "self-discovery", involving constant learning and adaptation in policy design. We like this approach if it means the government will follow a classic market-like process in innovating and testing new "products".

Governments, however, face no obvious market-like discipline in deciding when to proceed and when to quit. New incentives are easy to introduce. Shutting them down is quite another matter. The Asian experience to which the department often refers includes many industrial policy failures as well as successes. An important measure of success is the speed with which failures are identified and terminated. The promise of three-year reviews of all industrial policies is a genuine step forward.

Services: The speeches make an important point in referring to the artificial distinctions between services and manufacturing as sources of development and

employment and in drawing attention to the often-neglected service sector that accounts for 70% of output and employment in SA. Services are critical in improving overall competitiveness and they are important in delivering the fruits of economic activity to consumers.

We hope that future policies in sectors such as garments and textiles and the motor industry will take account of the negative impact of continued protection on employment and income in downstream services, such as retailing and repairs, where prospects for job creation are much higher.

Consumers: We are pleased to see that the interests of consumers will play a more central role, largely through a Consumer Protection Bill to be introduced in Parliament this year. We hope that the department will acknowledge consumers as equal stakeholders in the design of all trade and industrial policies, which have until now revolved around the vested interests of industry.

Tariffs and import parity pricing: The trade and industry department has begun to unveil its strategy on import parity pricing. It includes: tariff reductions on steel products of special interest to the motor industry; a promise to beef up competition policy; the use of government procurement and other forms of support to discourage import parity pricing; and the withdrawal of contingent protection, especially in the form of antidumping actions, to industries engaging in import parity pricing.

The import duties on steel products were only 5%. The largest beneficiaries will be producers of vehicles for domestic sale, and they already benefit from a very high tariff on imported vehicles and a ban on imports of used cars. We hope that government will take this occasion to lower the tariff on vehicles as well so that the anti-import parity pricing measure does not increase the already high level of effective protection received by vehicle producers.

More important are tariffs of 10% to 15% on a wide range of other industrial materials (eg plastics and aluminium) that could also be reduced, together with the tariffs on the final goods they are used to produce.

What do we hope for?

The department is in the midst of preparing a number of key strategic documents. These include the Motor Industry Development Programme review, an overall strategy for dealing with import parity pricing, a customised sector programme for the clothing and textiles sector, and a "broad strategic framework document" that will serve as the department's own policy statement and its contribution to the Accelerated Growth and Shared Growth Initiative in SA. Other documents are also promised, but these are the ones that are known to be in the immediate pipeline and have informed some decisions that have already been announced in Parliament.

We hope to see these documents. We hope that they will be exposed to rigorous analysis, discussion and debate. We hope that this discussion will take place before all the decisions are made.

||Matthew Stern and Frank Flatters are from Development Network Africa, a private economic and development consulting firm (geeks@dnafrika.com).

caused, arising from the use of or reliance upon, in any manner, the information provided through this service and does not warrant the truth, accuracy or completeness of the information provided.

Copyright © 2004 BDFM Publishers (Pty) Ltd. All Rights Reserved
Site Feedback | Privacy Policy

