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Faith-based policy

THE Motor Industry Development

Programme (MIDP) has for a long time been held up as one of SA's most successful pieces of industrial policy.

Its implementation encouraged robust levels of investment in SA by many significant global players in the automotive industry, and the exponential growth in export earnings are quoted as proof of the value of the programme for SA. But no one mentioned its cost to the economy until , in 2005, academic Frank Flatters from Queen's University produced a report quantifying its effect. The effective rate of protection, according to his report, means that every R100000 earned uses R129000 worth of South African resources .

Yet the MIDP has had a rather muted effect on job creation, with employment in the automotive sector declining 17% in the first five years of the programme.

Flatters' report was written more than two years ago , yet the midterm review — and indeed the trade and industry department plans to continue the MIDP beyond 2020— did not take its findings into account.

But perhaps more gravely, the report also does not seem to inform the department's other plans for the economy. President Thabo Mbeki on Sunday announced that cabinet had approved an action plan for the implementation of the new industrial policy, which includes targeting strategic sectors for specific interventions — much like the trade and industry department had done with the MIDP. But if these programmes yield similar results as the MIDP, they may end up raising domestic cost structures, compromise competitiveness, and ultimately lead to higher consumer prices, which would hit the poor. To formulate policy without an analysis of the economic impacts is , in the words of Flatters, to base policy on faith.

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