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Geekonomics

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IT HAS been a long time coming, but the government has finally unveiled its new National Industrial Policy Framework (NIPF), an accompanying Industrial Policy Action Plan (IPAP) and a whole lot of other acronyms. Unfortunately it's all rather a damp squib — literally, a firework that has no bang.

The NIPF is deliberately vague, providing a broad review of past experience, some basic principles underlying the new strategy, and a general outline of the kinds of policies to expect. It talks of identifying constraints and opportunities facing SA's industrial development and of using a process of mutual "self-discovery" between the government and business to prioritise policy actions and develop cross-cutting and sectoral initiatives (called Key Action Plans, or KAPs).

The so-called action plans are equally damp and particularly vague. The government has "singled out" about 30 strategic sectors for detailed analysis of needs and development of programmes. From mining and capital equipment to film and television, these cover most of the economy. One has to struggle to think of activities and sectors that have not been "prioritised".

Given the broad sweep of the sectoral priorities, it is not surprising that very few detailed proposals (KAPs) are actually provided. Most sectors get three to five short paragraphs alluding to their strategic importance, some of the problems they face, and what can be best be described as provisional wish lists for government support.

Complementing the sector strategies are several cross-cutting priorities: improving the design and administration of industrial financing; leveraging public procurement to maximize the local content of major infrastructure investments; reducing intermediate input costs through selective import tariff reductions and more effective use of competition policy in basic industrial raw materials markets; improving support for innovation and research and development; upgrading critical communications and logistical infrastructure; and improved skills development.

In addition, the NIPF (but not the IPAP) mentions the need to improve policy design, implementation and monitoring capacities at the trade and industry department. At last, something on which we can all agree.

There are other things here with which the Geeks could generally agree, especially on the need to address some of the cross-cutting issues that have been identified. But overall the documents are disappointingly empty. What does the government really propose to do by way of improved industrial finance? What does it mean by greater "reciprocity" in the provision of incentives and industrial support? Do the authors of these documents even know the answers to such questions?

To get a better sense of industrial policy priorities and approaches it is necessary to look at a few of the details in these documents and at what the government has actually been doing recently — actions presumably guided by the philosophy underlying the reports. The reports identify several successes of past industrial policies and leading sectors for the future.

In its review of past policies the NIPF identifies the Coega industrial development zone as a great success and the IPAP proposes further such investments. Others (ourselves included) view Coega as an incredibly costly white elephant whose legitimate developmental objectives could be achieved more effectively and at far less cost through improved transport services and streamlined tax and tariff administration for exporters. Where is the hard assessment of these different views and how have such considerations been taken into account in the new strategy?

The reports identify the motor industry and in particular the Motor Industry Development Programme as one of the successes of post-apartheid industrial policy and suggest its operation as a “reciprocal control mechanism” to be a model for future sector policies. This programme has blown well over R100bn on a handful of global motor companies over the past decade; it has been extended twice without any serious evaluation of or even reference to its costs; and it has contributed to expensive cars and no new jobs in SA.

Now, almost simultaneously with the release of these industrial policy strategy documents, the department has announced a further extension of support at existing levels until at least 2020, once again without any economic analysis of the alternatives. Sunset clauses? Economic assessment? Reciprocity? While the motor industry is the most blatant, the experience in most other sectors suggests that the government is unable to distinguish the interests of self-serving industrial lobbyists from the general developmental interest of the country.

The reports appear to be led at least in part by a misguided view of Asian success as the result of state-led direction of the economy. There was a small element of truth in this view at particular times in one or two east Asian economies, where institutional capacities, executive powers and willingness to be guided by market discipline were particularly strong. However, the much more general factor behind the industrial development successes in Asia was recognition of the need to create an efficient and broadly neutral regulatory environment to reduce the costs of doing business, minimise regulatory uncertainties and immunise governments as much as possible from rent-seekers.

Self-discovery might be useful. But there is much that can be learned from others as well.

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