

Indicators measure success of industrial plan

THE latest iteration of the Industrial Policy Action Plan, released yesterday, contains no fireworks and does not bring anything dramatically new to the table.

That is because, as an annual iteration of a working document — as opposed to an abstract, theoretical one — the plan makes adjustments to existing programmes, evaluates targets and sets new ones. It does not introduce a new programme of action.

Trade and Industry Minister Rob Davies has

put forward some measures which he thinks are indicators of its success. One is the job creation and job retention that, he argues, has been brought about by sector-specific policies. For instance, in the clothing sector, job destruction has been halted with 12,000 permanent jobs created through the competitiveness programme, he said. In the vehicle sector — probably the plan's biggest success story — jobs have been created and sustained in the manufacturing of vehicles, machinery and components, and exports have grown impressively.

Department of Trade and Industry deputy director-general Garth Strachan said that while the government and the public like to use job indicators, other indicators are often more telling. The expansion of exports, for instance, would better indicate the success of competitiveness programmes.

While exports to SA's traditional markets of the US and Europe were damaged by the financial and eurozone crises, exports to African mar-

kets have grown significantly.

The development of new products is another indicator that industrial policies are having some effect, said Mr Strachan.

Nonbelievers in industrial policy will always be hard to persuade of the virtues of government incentives and programmes. There is also a strong argument, which underlies

the National Development Plan, that if the government could just do more to get the business environment right, bring administered costs under control

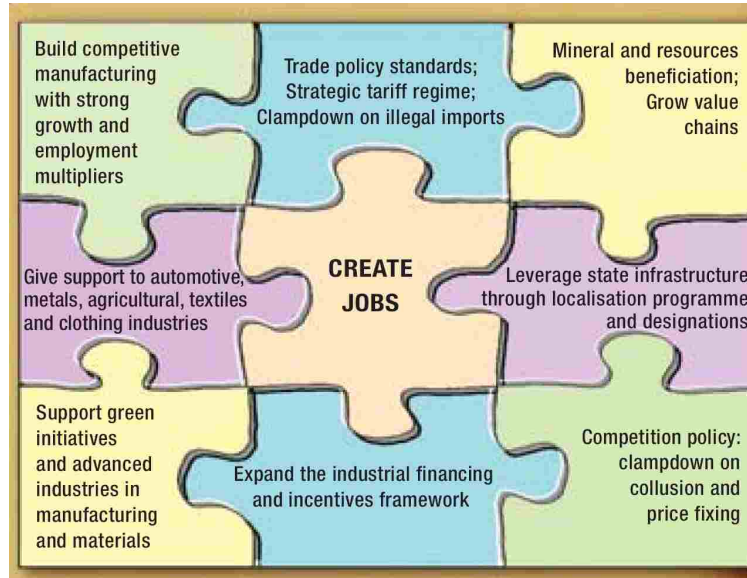
and reduce the regulatory burden, a specific focus on industrial policy would not be necessary.

But in the absence of that — which involves a massive effort to fix the state as well as large problems such as the supply and price of energy — industrial policies are possibly of greater than usual value.

While the department is correct to want to set measurable targets by which to gauge its success, one noticeable change that is not on its checklist is the way that the plan and its annual iterations have deepened and intensified interaction with business. As the annual iterations now focus more on seeking specific opportunities in sectors than on broad and strategic policies, the result has been to bring business closer to the government.

The latest iteration, for instance, hones in on the export opportunities presented by the growth of the African market. Another, in-depth research programme in the department is exploring specific opportunities in value chains that can arise

PUTTING THE PIECES TOGETHER



Graphic: KAREN MOOLMAN Sources: INDUSTRIAL DEVELOPMENT CORPORATION



GARTH STRACHAN

from beneficiation. This will feed into new iterations and promises to give some substance to the rather thin beneficiation plan drawn up by the Department of Mineral Resources, which has left miners and manufacturers with almost nothing to go on.

Mr Davies's constant refrain has been to emphasise the central role of business, and in particular of manufacturers, whose interests he is most naturally positioned to advance. Having an ear for what real businesses are saying and an eye for their challenges and difficulties has become an uncommon practice in government. Relations with real

businesses making real products and providing real services have not been consistently built before, with interaction taking place far more at a "political level" over broad economic and social issues rather than micro, pragmatic ones.

In tipping the balance one way, the Department of Trade and Industry constantly faces the possibility that it allows government resources to be captured by one or other set of players.

So as tariffs look set to rise on imports of chicken to protect local producers, jobs and the value chain, consumers and meat importers who will now face higher prices are likely

to be made unhappy.

Higher tariffs — which are set by the International Trade Administration Commission — seem to be part of the environment of the coming year, with the department saying that benchmark exercises have revealed that SA's tariff regime is strikingly low.

One exception to the general mode of tariff increases, of course, has been steel, where the tariff on imports was recently lowered, as a way of getting back at ArcelorMittal, which the department resents for charging import parity prices for locally produced products.

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